

## Message Text

CONFIDENTIAL

PAGE 01 SEOUL 06450 240655Z  
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----034806 240700Z /11  
R 240608Z JUL 78  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC 2461

C O N F I D E N T I A L SEOUL 6450

EXDIS

E.O. 11652: GDS  
TAGS: BBAK  
SUBJ: BOEING COMPANY'S REPLY TO SEC COMPLAINT

REF: SEOUL 6407

1. FURTHER TO REFTTEL, EPB ASSISTANT MINISTER CHOE SUN RAY HAD TALKED TO KAL PRESIDENT CHO CHOONG-HOON, WHO WAS SUBSEQUENTLY CALLED TO THE BLUE HOUSE BY SECRETARY GENERAL KIM CHUNG YUM.

2. CHO HAD EXPLAINED THAT THE \$3.6 MILLION WAS A COMMISSION ON PLANES PURCHASED IN 1972 AND HAD GONE TO KAL'S PURCHASING AGENT, THE US SUBSIDIARY OF THE JAPANESE TRADING COMPANY NISSHO-IWAI. THE \$3.6 MILLION HAD SUBSEQUENTLY BEEN LENT TO KAL AND TOGETHER WITH A \$2 MILLION LOAN FROM THE ROKG AND \$3.9 MILLION IN SECURED DEBT (PRESUMABLY A US BANK LOAN), WAS USED TO PURCHASE THE WAIKIKI RESORT HOTEL.

3. CHO REPORTEDLY SAID THAT BOTH THE SEC AND THE FRASER SUBCOMMITTEE HAD INVESTIGATED THE TRANSACTION IN 1977 USING KAL'S ACCOUNT BOOKS AND HAD CLEARED KAL OF ANY WRONGDOING. THE FRASER INVESTIGATION, HOWEVER, HAD UNCOVERED THE \$87,000 PAYMENT, WHICH CHO HAD NOT PREVIOUSLY BEEN AWARE OF. IT HAD GONE TO K-CHUL LEE, KAL'S LA BRANCH  
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CHIEF, WHO WHEN ORDERED BACK TO KOREA SOMETIME AFTER THE TRANSACTION, REFUSED AND HAD THEN BEEN FIRED. HE IS UNDERSTOOD STILL TO BE IN LA.

4. KAL AND THE ROKG THUS BELIEVE THEY HAVE A DEFENSE BUT ARE ALSO CONCERNED THAT IT WILL GENERATE ANOTHER SPATE OF BAD PUBLICITY. THE ROKG APPARENTLY CONSIDERED AND THEN

DECIDED NOT TO GO PUBLIC BEFORE THE BOEING ANNOUNCEMENT, BUT  
WE WOTZD NOT RULE OUT THEIR REVERSING THAT DECISION.  
GLEYSTEN

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
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**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014